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Statement of
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Before the
Committee on Agriculture
U.S. House of Representatives
Wall, South Dakota
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United States Farm Bill

On behalf of the 2,000 sheep producers in South Dakota, I am very appreciative of this opportunity to discuss our nation's agricultural policy with the agriculture leadership of the U.S. House of Representatives.

I am Steve Clements, District 6 Director and Vice President of the SD Sheep Growers. My wife and I are third generation sheep producers. Our family has been in the sheep business since my grandfather purchased the Oneill Sheep Ranch in 1908.

I am pleased to provide my thoughts on the priorities in the next Farm bill that will assist the sheep business. I can report to the Committee that these priorities are shared by my fellow producers in the South Dakota Sheep Growers Association and the American Sheep Industry Association.

The sheep industry of the United States is comprised of 68,000 farm and ranch families producing lamb and wool in every state of the country. The industry provides half a billion dollars to the American economy and is a mainstay of many rural communities in which sheep grazing is a key use of grazing and pasture land.

Sheep producers have been aggressive and creative in their approach to national initiatives that strengthen the domestic industry.

In 2005, the sheep industry approved a national referendum to continue our American Lamb Board checkoff program. This lamb promotion program is entirely funded by the industry and I am pleased to say that of those who voted, 80 percent voted in favor of the referendum. We collect over \$2 million annually from sheep sales with producers, feeders and lamb companies all paying a share of the checkoff.

The American Wool Council launched a wool production, information and marketing program for American wool in early 2001. Our national initiatives have improved competition for American wool. International marketing programs have exposed U.S. wools to the world and exports have grown rapidly to over 60 percent of our annual production today. Total exports represented less than a third of production prior to our programs. We now sell into eight or more international markets each year. In addition to expanding market opportunities for producers, the Wool Council has developed new fabrics and treatments for textiles with U.S. companies and America's armed services. We are proud to help provide clothing and uniforms for the men and women of our military. Fully one fourth of our wool production is consumed by the U.S. military.

2004 marked the first growth in U.S. sheep inventory since 1990. We grew our industry again in 2005, the first year on year increase in sheep numbers since 1987 – 1988. Industry growth improves competitiveness for all segments of the industry from lamb feeders to lamb meat companies, wool warehouses to wool mills, feed suppliers, trucking firms and shearing companies.

The Marketing Loan and LDP programs for wool and mohair that were included in the 2002 Farm Bill have been helpful in stabilizing wool and mohair production.

The Wool Loan Deficiency (LDP) program provides the only safety net for producers in our business. **I encourage the Committee to re-authorize the wool LDP and at a base loan rate of \$1.20 per pound in order to provide the benefit of the program as intended.** While nine loan rates are available, essentially all wool LDP applications are in one non-graded rate category. The research and industry testimony provided in 2002 supported a \$1.20 per pound base loan rate and authorization of the wool LDP at this rate should provide opportunity for all producers to participate in the program as intended.

Industry research by Food and Agriculture Policy Research Institute (FAPRI) and testimony by the American Sheep Industry Association documented a base loan rate of \$1.20 per pound; however, the legislation lowered the base to \$1.00 a pound with a cost score of \$20 million annually. The total payments for each of the 2002 through 2005 crop years is \$7.8 million, \$7 million, \$7.3 million, and \$6.1 million respectively. The significant difference between the annual cost estimate and the actual payment total each year combined with the fact that nearly all participation has been in only one loan category out of nine total categories, supports the request that the program be authorized at the base rate of \$1.20 per pound rather than \$1.00 in the current legislation.

This program has been reasonably simple for FSA to administer and has worked as a safety net that producers can plan on.

Additionally, on the international wool marketing efforts, our industry actively participates in the USDA Foreign Market Development, Market Access Program and Quality Samples Program and encourages inclusion of these in the Farm bill. These export programs are very important to the sheep industries.

I urge the Committee to support re-authorization of the National Sheep Industry Improvement Center.

As established in the 1996 Farm Bill in the Rural Development program of USDA, the National Sheep Industry Improvement Center provides loans and grants to business ventures for financing programs which normal commercial credit or funds were not available. This program does not provide funds for individual producers nor purchase of sheep or land, but rather for projects to strengthen the sheep business including loans to wool warehouses, lamb slaughter and processing ventures, and wool processors. An excellent example of the Sheep Center here in San Angelo is Bowman Wool Scouring which obtained a loan to purchase and install a state of the art scouring train.

The Center has provided 56 loans to 38 entities in 21 states. The total volume of dollars that have been loaned since 2000 totals approximately \$15.5 million. The Center has also made 58 grants equaling \$20,754,529.

The United States has no barriers to lamb meat imports and as such has become the market of choice for lamb exporters from around the world. Lamb was never part of the Meat Import Law so other than the brief period of temporary restrictions in late 1999 – 2001, lamb meat has and is freely traded. However, the playing field is not equitable for U.S. sheep producers. The European Union continues to provide over \$2 billion annually in government price support and subsidies to their sheep producers. The European Union maintains strict and effective tariff rate quotas on lamb imports. Our industry looks to both the Agriculture Committee's role in industry programs in the next Farm Bill and the Committee's role in pushing for aggressive reform of Europe's agriculture programs and barriers to assist the domestic sheep business.

As evident in the listening sessions on the Farm Bill that Secretary Johanns conducted last year, a number of comments were provided by producers in support of a retained ewe lamb program in the next Farm bill. The growth of the U.S. sheep industry can in part be credited to the USDA retained ewe lamb program that was in effect for 2002 - 2004. The incentive payment to producers to keep ewe lambs in their breeding herd rather than sell them for slaughter encouraged producers to expand breeding herds which, in the longer term, will provide increased market lambs to help U.S. producers maintain and increase their share of the American meat case.

The South Dakota Sheep Growers Association is very active in the education and promotion of lamb, wool and the sheep industry. As one of the top sheep producing states with over 250,000 head of sheep, we are very interested in the debate and outcome of the Farm Bill and the affect it will have on the sheep producers of South Dakota.

As I'm sure you know South Dakota is in the worst year yet of a seven-year drought. While I realize this is not an issue for the next farm bill, it is certainly something that the

Agriculture Committee should be aware of and consider disaster assistance for all parts of South Dakota agriculture production.